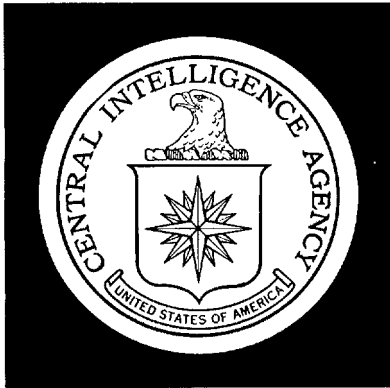


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State Dept. review completed

JCS review(s) completed.

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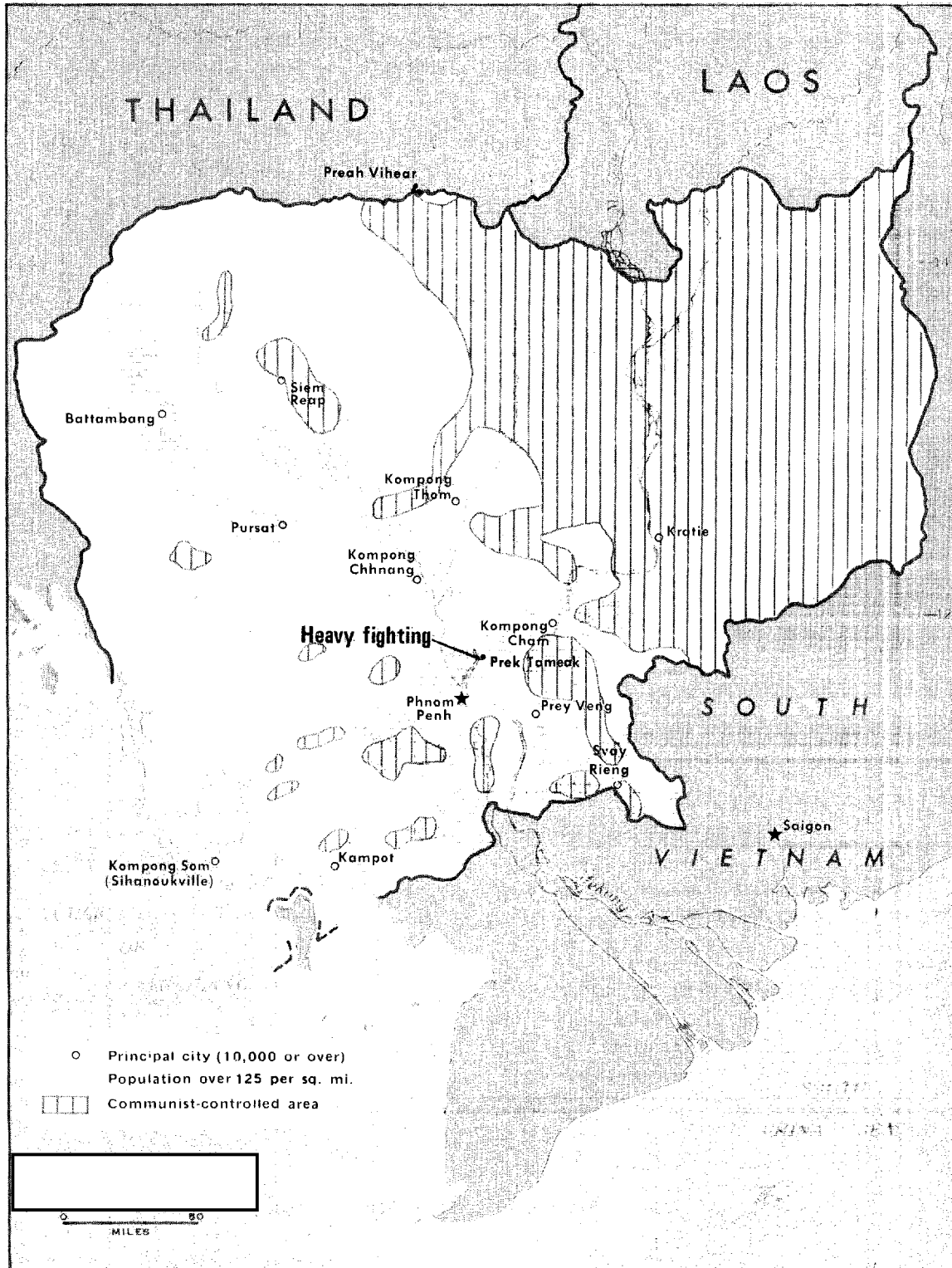
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CAMBODIA: Current Situation



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Cambodia: Heavy fighting apparently continues around the Mekong River village of Prek Tameak and preliminary casualty reports indicate that the battle is one of the costliest of the war.

Although Phnom Penh dispatched infantry reinforcements, supporting air strikes have been hindered by the monsoon rains. Both sides have reportedly suffered high casualties, with the government acknowledging that 60 troops have been killed and another 200 wounded.

US officials report that Phnom Penh has remained outwardly calm in the face of the heavy fighting raging only nine miles away. There is an unconfirmed report that several hundred enemy troops are located at a village across the Mekong less than two miles from the capital, which would, if true, place Phnom Penh within mortar range. Five 82-mm. mortar rounds were fired into Cambodian Army positions three miles east of Phnom Penh later on 20 August.

The Vietnamese Communists seem to be increasing their recruitment and military training of indigenous Khmers in Cambodia. The Communists may have more than 40 training centers located in most parts of the country, each of which reportedly can accommodate from 200 to 1,000 trainees at a time. The troops who complete their training may be used to form mixed Cambodian - Viet Cong battalions. The Communists have used similarly mixed units in Laos with some effectiveness for several years.

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The leadership is still at odds over when to proclaim Cambodia a republic. Foreign Minister Koun Wick told the US chargé on 20 August that he and several other top-level civilian leaders in the government, including Deputy Prime Minister Sirik

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Matak, are strongly opposed to the declaration of a republic before the war ends. According to Wick, Prime Minister Lon Nol is pushing for such a declaration in October, evidently as a consequence of pressure from the youth and some elements of the military. Lon Nol and Sirik Matak have apparently reversed positions on this issue. In the days after Sihanouk's ouster, Matak was pushing for a republic, while the conservative Lon Nol was reluctant.

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Burma - Communist China: Rangoon is continuing its efforts to restore amicable relations with Communist China.



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In a continuation of efforts begun by General Ne Win last November, Rangoon recently nominated an ambassador for Peking's approval. Rangoon had upgraded its diplomatic representation in Peking from first secretary to counselor level last winter. Peking did not reciprocate. The Chinese have recently toned down their anti-Ne Win propaganda, but it is not clear that Peking is ready for a resumption of the ambassadorial ties that were suspended three years ago.

Rangoon probably hopes that friendlier relations with Peking would result in a cessation or diminution of Chinese support to Burmese Communist insurgents. Although Peking might be willing to moderate its support of the insurgents somewhat, it is unlikely to stop such support even if official relations improve.



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Cuba: The first changes in the administrative hierarchy that Castro promised in his gloomy speech on the economy on 26 July have been announced.

Captain Serafin Fernandez Rodriguez, an experienced supply officer, was named minister of domestic trade, replacing Manuel Luzardo, an "old Communist" who was unable to cope with distribution problems. Major Jose Fernandez Alvarez was appointed first vice minister in the Education Ministry. He will act as deputy to Major Belarmino Castilla Mas, who was named education minister in early July.

The new appointments conform to the current trend of increasing military influence in nonmilitary affairs and reflect Castro's tendency to fill key government positions with capable military officers and experienced technocrats. Further personnel changes are likely.

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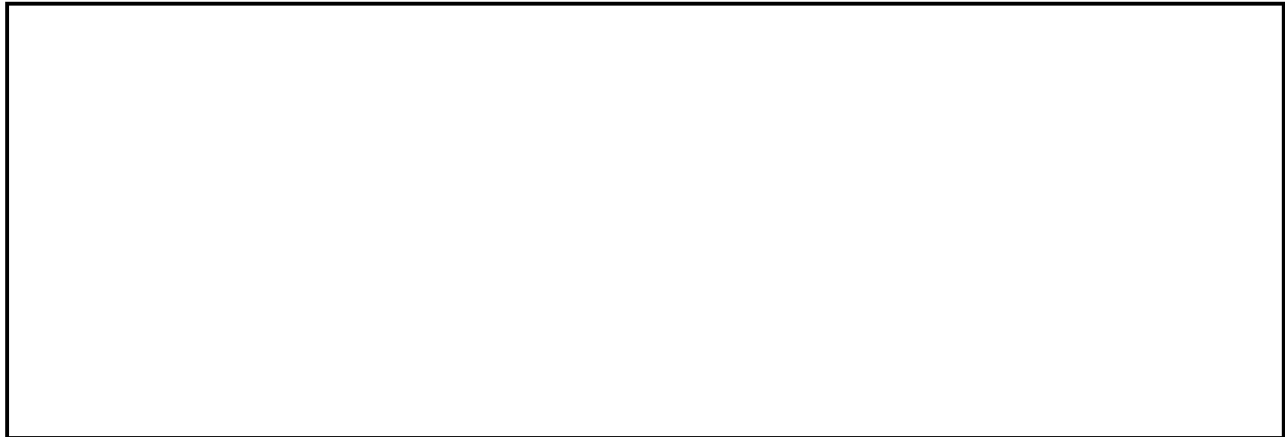
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Uruguay: The Tupamaros have demonstrated they are capable of carrying out terrorist operations despite the government's massive campaign against them. On 19 August, persons claiming to be Tupamaros seized a young American in downtown Montevideo and held him for an hour while they used his car in an unsuccessful attempt to rob a bank; they killed a policeman who tried to stop them. Another bank was robbed shortly after, presumably by the same group. [A third robbery by persons identifying themselves as Tupamaros took place in Montevideo yesterday.] The commander of the US military group has reported that it is the consensus of the Country Team that "another American kidnaping or outright murder is highly probable." [REDACTED]

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Argentina: The government has announced a modest wage increase effective 1 September. Initial labor reaction has been negative. Hard-line union leaders consider the government's offer of an immediate seven-percent increase, followed by an additional six-percent in January, inadequate, and they are threatening to call for a nationwide strike. Although rank-and-file union members oppose a prolonged work stoppage, a symbolic 24-hour strike is possible. The government hopes its proposal will placate labor without endangering its economic stabilization program. [REDACTED]

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Communist China - Mauritania: Peking has assured an increased presence in Mauritania by agreeing to build a 40-mile water pipeline from Edine to Nouakchott valued at an estimated \$2.2 million. The Chinese reportedly have offered exceedingly liberal repayment terms: a 15-year grace period and 50 years for repayment either in goods or hard currency. It is unclear if this is additional aid or part of \$4 million in assistance extended in 1967. The French had offered to construct the pipeline as a virtual gift, but they had a poor performance record on past projects and insisted on a survey to determine how much water could be supplied. The Chinese, however, did not request any such feasibility study, an advantageous move in a country such as Mauritania where the government has little ability or inclination to present project proposals. [REDACTED]

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Communist China: Peking has concluded a \$144-million chemical fertilizer contract with Japan, its largest fertilizer purchase this year. The 5.3-million ton deal--together with a previous agreement with the West European fertilizer consortium, Nitrex, China's other major supplier--brings scheduled fertilizer imports to 7.6 million tons for the mid-1970 to mid-1971 period. This is about a one-million-ton increase over the amount imported in the previous 12-month period from these two suppliers. The increased purchases suggest that Japan and Nitrex will continue the trend set in 1969 when they accounted for about 90 percent of China's fertilizer imports and about one half of its total supply. [REDACTED]

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